Introduction

権利	
シリーズタイトル(英)	Occasional Papers Series
シリーズ番号	27
journal or publication title	Industrial Development Policy of India
page range	1-3
year	1992
URL	http://hdl.handle.net/2344/00010774

Introduction

The Directive Principles of State Policy of the Constitution of India declares that "the state shall in particular direct its policy towards securing (a) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good and (b) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."[1]

India's economic policy has undergone many changes, but when the fundamental objectives of policy are examined, one notices that there has been no big departure from the overall direction or fundamentals of the Directive Principles of State Policy. These have not only been directed at accelerating economic growth but their emphasis has also been on ensuring social justice.

Economic policy built on strong ideological considerations inevitably had to face tremendous constraints when they were actually enforced, because economic structure and economic activities did not necessarily follow the ideological lines the policymakers were pursuing. Thus there could be many situations where economic rationality would demand a more practical approach than ideology would allow. Oftentimes difficulties arise from a country's overall economic structure. In India's case, the overwhelming poverty, especially in the rural areas, continually compelled the government to emphasize poverty alleviation programs. This in turn was reflected in government policy which emphasized programs that directly uplifted the living standard of the poorest stratum of society. Given this situation, economic rationality has usually been less important than ideological considerations of social justice.

When looking ideologically at India's industrial policy, two basic strategies can be observed which the government has maintained since independence. One has been to increase state control and ownership over industrial assets and activities; the other has been to restrict the level of economic power in private hands in order to "subserve the common good."[2]

Soon after the start of planned economic development, ideology had to confront the problem of coping with the prevailing market mechanism which functioned according to economic rationality. Development of India's industrial policy can be described as a process of many trials by which the government sought to control the economy. Over time the policy began to show a strong tendency to allow exceptions and to create supplementary rules, especially where there were severe contradictions between policy objectives and economic reality, or where there was an imminent necessity for the government to acquire more power over the economy for political reasons.

Two approaches will be followed when looking at India's industrial policy. One will trace the trends and perspectives of policy, and the other will analyze the nature and function of state intervention. While doing this, I have tried to keep two factors in mind which have been important for policy formulation. One I call the external factor which consists of external elements such as political, economic, and social conditions; the other is the internal factor which is made up of those elements that the policy itself produces in the process of its formulation.

The nature and function of state intervention have been examined against the background of economic reality and the government's political aspirations. These aspirations have frequently conflicted with the realities which have necessitated numerous compromises at crucial stages in the policymaking process. One pattern of compromise that has developed has been to make the policy increasingly specific and detailed by adding complicated clauses listing exceptional cases and conditions, and by categorizing and subcategorizing industrial groups receiving special preferences. This tendency became particularly apparent at the time the government tried to modify the policy in order to liberalize the economy and thereby accommodate the private sector. At the same time, however, this sector was supposed to be controlled by government regulatory measures that conformed with India's political ideology.

There have always been various conflicts between political ideology and economic rationality in the process of policy formulation, but these conflicts have grown more severe especially since the government started to liberalize the economy at the beginning of the 1980s.

Two major approaches could be taken to study the nature and implication of India's economic policy. The first would be to analyze each policy that has been formulated and find out the implications and functions of each. The second approach would be to study the actual execution of policy in areas where implemented. In this paper I combine both methods, but with emphasis placed on policy analysis. The second approach was extremely useful for accumulating knowledge and information which I continuously relied on when I observed and analyzed each policy. The knowledge and information collected while watching the actual enforcement of policy was extremely important in helping me to construct my own assessment of the nature and the implications and functions of policy as I applied the first approach. It may be worthwhile, in this context, to make a case study on industrial development activities conducted at the state level. I am briefly going to refer to the case of Karnataka state, which I had an opportunity to observe.

This paper will focus on the government's economic liberalization policy in the 1980s. Since starting to deregulate India's restrictive economic policy, the contradictions within industrial policy have become apparent and have had a severe impact on the Indian economy. The new era of liberalization provides a good opportunity to examine the contradictory aspects that have been inherent in India's industrial policy.

This paper deals only with the 1980s, a restriction I made due to the lack of time to sufficiently study the new events unfolding with the 1990s. The 1990s will mark a new era. After two short-lived governments, India held a general election in May 1991. During the campaigning Rajiv Gandhi was assassinated which removed the candidate assured of becoming the next prime minister. After the election, the Narasimha Rao government came to power. It moved quickly to give India a more open economy, scrapping most of the regulatory policies. To a very large degree the process of formulating India's industrial development policy and the nature of this policy have forced the government to take these very bold steps. One must always keep in mind the historical antecedents to the new policy of liberalization. The big changes in policy during the 1980s were in response to the growing economic contradictions, but these changes were not free from the policy structure which had been formulated to cope with the circumstances and needs of post-independent India. This is likely to be also true of the policy changes that will take place during the 1990s. India's economic, political, and social experiences have played active roles in determining its economic policy. To see the impact these have had on policy, one must go back to the formative period during the early post-independent years in the history of industrial policy before examining extensively the liberalization policy of the 1980s and 1990s.

Notes

1 Article 39 (b) and (c) of the Constitution of India.
2 Ibid.